

# "An Exciting Game"

Orlando Bravo, head of the U.S. investment company **Thoma Bravo**, on software companies as ideal takeover targets and his plans in Germany.

BY CORNELIUS WELP

**Orlando Bravo, the U.S. magazine "Forbes" recently called you "Wall Street's hottest dealmaker." Does that scare you?**

Why should it? I love my job, which is buying and selling.

**Many companies are so highly valued that observers think the market is overheated.**

We have focused on software companies for more than 20 years. The current valuations are, I believe, appropriate when one takes account the potential and the growth rates.

**Technology companies are particularly expensive.**

And rightly so! There has never been a better time for technology companies than today. Ten years ago, companies bought licenses for software and laboriously installed it on company computers. Today, companies can rent applications over the internet and on demand. Software was traditionally used for mainly administrative processing, such as travel and personnel planning, but now it is often the core of the business model.

**Competition is fierce when companies are up for sale. How do you assert yourself? With inflated prices?**

Competition has always been intense. Above all, what speaks for us is experience. Twenty-two years ago, we were the first private equity investor to focus on software. Since then, we have acquired more than 300 companies and have unparalleled knowledge and networks as a result. The cybersecurity companies in our portfolios currently generate a good six billion US dollars in revenue. That makes us the global market leader - by a wide margin.

**Many software companies are financed by venture capitalists and specialized technology funds.**

**What are the arguments in favor of a financial investor?**

Software is the best business in the world. Companies tend to remain loyal once they are acquired and their needs often grow. At the same time, there is enormous business potential. Many businesses could be significantly more profitable and many experience losses although their sales are continuously growing. This is precisely where we come in.

**By radically cutting costs?**

No, it's not that simple. We focus on the companies' profitability and set specific targets for each business unit and review targets on a monthly basis. For example, many people don't know how profitable customer service is. We pay close attention to sales and distribution. And we make sure that software is developed in customers' interest and not as an end in itself. Unlike many of our competitors, we hardly ever replace the existing management but continue to work with them as partners. As a result, we often achieve operational improvements after just one year.



**And then?**

The companies then are often economically in a position to be able to make their own acquisitions and continue to grow. We support them in selecting targets with which they can expand their customer base or their product offering.

**You recently announced your first transaction in Germany. Are there more to follow?**

Yes, Europe and especially Germany are very attractive for us. The transaction, in which Heidelberg Cement invested in our portfolio company Command Alkon, can serve as a model. Our partnership is about digitizing the entire supply chain in the building materials industry, from ordering materials to automating the construction site. Many industrial companies are facing a similar transformation of their business model.

**Are you also looking for takeover targets in Germany?**

Absolutely. I know that the Germans themselves sometimes critique the state of digitization in their own country but that doesn't reflect the reality I see on-the-ground. An impressive scene has developed in Europe, with Germany at its center. There are a lot of interesting new companies here.

**You originally wanted to become a tennis pro and went to Coach Nick Bolletieri's Tennis Academy. What did you learn from him?**

He was a very inspirational coach but I spent much less time with him than my fellow students Andre Agassi and Jim Courier. They were simply better than I was. One piece of advice that I received from my coaches that serves as a guideline for me today is to enjoy the sport and enjoy the game.

**So, you see your business as a kind of game?**

Yes, and a very exciting one at that. ■

**ORLANDO BRAVO**, born 1970, leads the financial investor Thoma Bravo, which owns the equivalent of more than 70 billion euros under management. The portfolio includes currently around 45 software companies.

**"Germany has many new and interesting companies."**